XII. Reconciling Monthly Statements

A. Overview

Financial information is available to all department and project managers to help them keep track of actual and anticipated expenditures as compared to their budgets. Each month managers should compare their departmental records to detail reports available from the Oracle applications and to the information provided on their department or project statements. Managers research discrepancies between their records the general ledger and make necessary corrections prior to the next month-end closing.

Objectives:

In this chapter you will learn:

Key Word:
Reconcile

- how to read a department statement
- how to use a payroll distribution report to help you *reconcile* your department statement
- how to use an account analysis report to help you reconcile your department statement
- how to use an account analysis with subledger detail report to help you reconcile your department statement

B. Why Reconciliations are Important

1. A reconciliation refers to the process of comparing departmental records of financial transactions such as copies of Invoice Payment Forms, Travel Expense Reports, Petty Cash Forms, and Deposit ID Forms, to actual transaction detail that has been recorded in the Oracle general ledger.

2. Since data entry errors or other types of mistakes may occur when information is entered into the Oracle applications from various sources, it's important to identify them quickly and make corrections each month. Waiting until the end of the year to resolve discrepancies is not a good idea since there may not be enough time to do the research and then make corrections. Reconciliations are also a best practice and control that's a key element in preventing and detecting fraud.

3. Unresolved discrepancies may have a negative impact on your department or project budget and if transactions are misclassified, it may affect RIT's external financial statements.

4. There are several Standard and Custom reports available to assist departments with this reconciliation process.

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C. How To Read Your Department Statement (an FSG Report)

1. What is a Department Statement?
    a. The department statement is a custom report designed to provide you
        with a high-level view of your operating budget compared to your
        expenditures at a given point in time.
    b. The department statement, when used in conjunction with other Oracle
        Standard reports, or on-line inquiries, is a useful financial tool. The
        following will help you to understand the format and information
        contained in the department statement.

> Refer to the sample RIT, Auxiliary and NTID Department Statements
> located in Chapter XVI, Section G.

2. Department Statement Format
    a. Headings
        i.   Department Name (e.g. RIT, ACMT, Auxiliary or NTID)—
              Reflects the name of the corporate entity to which the
              department belongs.
        ii.   Department Statement – Reflects the name of the custom FSG
              (Financial Statement Generator) Report.
        iii. Period – Reflects the accounting period or month.
        iv.   Department – Reflects the department number and name of the
              department.
        v.   Project – On department statements for RIT departments, the
              project number is "00000". The project number for NTID for
              fiscal year 2008 was "0200"; the project number for fiscal year
              2009 is "02009". Since NTID operates on a different fiscal
              year than RIT, a unique project number is used to track annual
              activity for NTID. This project number changes annually on
              October 1st, the beginning of NTID's fiscal year.
    b. Columns
        i.   Permanent Budget – Reflects the department's permanent
              fiscal year budget for each expense line. The fiscal year for
              RIT departments is July 1st through June 30th. NTID's fiscal
              year is from October 1st through September 30th.
        ii.   Working Budget – Reflects the start of year budget with
              adjustments or reallocations made during the fiscal year.
        iii. Encumbrances – Reflects automatic or manual entries made to
              record anticipated expenditures, including requisition and
              purchase order encumbrances. (Encumbrances are included in
              the Available Balance calculation – see b. v. below.)
        iv.   Actual – Reflects total actual revenue and expenditures by
              object code for the accounting period.
        v.   YTD Actual – Reflects cumulative revenue and expenditures
              for the fiscal year.

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      vi.   Available Balance = Total Budget -YTD Actual Expenditures - Total Encumbrances.

      vii.   Percent Expended –A calculation to reflect percentage of budget expended as of the current period, not including encumbrances. If there is not a budget for a line, n/m is inserted instead of a %.

c. Rows

    i.   % of Budget Year Completed – Reflects the number of periods completed in the fiscal year divided by 12 months. (Divide the number of periods completed in the fiscal year by 12.)

    ii.   Object Code Description

- Expenditures are displayed first and subtotaled by category. There is a subtotal total line for expenditures, including transfer object codes.
- Revenue and Recovery from internal chargeback, if applicable, is displayed on the department statement and totaled.
- Net Expenditures = Total Expenditures - Total Revenue & Recovery.
- RIT Funded Expenses (RIT AND NTID Department Statement only) – All benefit expenses including tuition waivers, are charged to one expense object code called "Benefit – Pooled Expenses". ITS Computer Services are also included in the RIT Funded section. Note: Charges for fringe benefits and ITS computer services are displayed in the "Other" Expenses section on the Auxiliary Department Statement.
- Total Expenses = Net Expenditures + RIT Funded Expenses.

> To obtain information about the various Project Statements that are available, call Accounting at ext. 5-2237.

D. Payroll Expenditures

1. Payroll Distribution Reports

> Refer to the sample Payroll Distribution Report located in Chapter XVI, Section G.

a. Detail payroll information is available each month on the Payroll Distribution Report (for each department and project by individual employee, sorted by object code).

b. Those with access to the RIT – GL – Report, Inquiry & Payroll responsibility may print this report. To gain access to this responsibility complete a General Ledger Security Access form,

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located on the [Controller's Office](#) Web page, and return it to Accounting for processing.

    c. Payroll expenditures are posted to the general ledger after each payroll is processed.

    d. There may be up to three bi-weekly payrolls in a month and two semi-monthly payrolls. The Payroll Distribution Report includes all pay dates in a month.

E. Other Expenditures

1. Oracle Standard Reports

> Refer to the sample RIT Account Analysis Report and the RIT Account Analysis with Subledger Detail Report located in Chapter XVI, Section G.

    a. Standard reports provide users with transaction detail. Two of the most useful reports for reconciling department and project statements are the Account Analysis and Account Analysis with Subledger Detail. Users who are assigned to the RIT – GL - Report and Inquiry, or RIT – GL – Report, Inquiry & Payroll responsibilities may request standard reports and print them at their networked printers.

    b. The Account Analysis Report provides detail of all transactions for a department or project sorted in object code order.

        i. The total activity for one object code on this report equals the balance in the actual column for the period for the same object code on the department statement.

        ii. The report includes information from subledgers such as Payroll (Source =Payroll and Category = Payroll) and Accounts Payable (Source = Payables and Category = Purchase) as well as details regarding journal entries processed in the general ledger during the period (Source = Manual and Category = Adjustment).

    c. The Account Analysis with Subledger Detail for Accounts Payable provides additional information for those items paid through Accounts Payable, whether on a Purchase Order or on an Invoice Payment Form.

        i. The vendor name, purchase order number (if applicable), invoice number and payment amount is reflected for each item paid through Accounts Payable whether on a Purchase Order or an Invoice Payment Form.

        ii. Expenditures on the Account Analysis with Subledger Detail are also included on the Account Analysis Report (Source = Payables and Category = Purchase).

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F. Reconciliation Process

1. Use the transaction information from your standard reports to verify the total expenditures on your department or project statement.

    > For more information about the examples below, refer to the sample reports in Chapter XVI, Section G.

    a. First, compare the total salaries for each object code on the Payroll Distribution Report to the total salaries on the same object code on the Department Statement (in the Actual column). The amounts should be the same. If they are not the same, look for a manual journal entry on the Account Analysis that may have been processed on the account.
        i. The total salaries on the RIT Department Statement on account 01.99999.70050.10.00000.00000 during October 2001 are $2,420.54. The Payroll Distribution Report for department 99999 indicates that one employee was paid $1,210.27 on both the 10/15/01 and 10/31/01 payrolls.
    b. Next, compare the total charges on each non-salary line on the Account Analysis to the total on each line on the department statement. For example:
        i. There are seven (7) transactions reflected on account 01.99999.73150.35.00000.00000 on the Account Analysis totaling $321.16 (add these numbers together on a calculator; remember to subtract any credit amounts from the total debits). The Department Statement reflects the same amount on this account number.
            *   One transaction for $140.00 on account 01.99999.73150.35.00000.00000 has a Source = Payables and a Category = Purchase. Refer to the Account Analysis with Subledger Detail for more information about the transaction such as vendor name (i.e. Eastern Copy Products).
    c. If you find discrepancies process journal entry corrections as soon as possible so that your Department Statement reflects accurate information.

    > For additional assistance reconciling department or project statements, call Accounting at ext. 5-2237.

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